

**REPORT OF THE AUDIT OF THE
MONROE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Wilbur Graves, Monroe County Judge/Executive

Members of the Monroe County Fiscal Court

The enclosed report prepared by Simon, Underwood & Associates, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood & Associates, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood & Associates, PSC, evaluated Monroe County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MONROE COUNTY FISCAL COURT

June 30, 2007

Simon, Underwood & Associates, PSC has completed the audit of the Monroe County Fiscal Court for fiscal year ended June 30, 2007. We have issued unqualified opinions on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Monroe County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$5,475,827 as of June 30, 2007. The fiscal court had unrestricted net assets of \$596,822 in its governmental activities as of June 30, 2007, with total net assets of \$5,455,036. In its business-type activities, cash and cash equivalents were \$2,206, with total net assets of \$20,791. The fiscal court's discretely presented component unit had net assets of \$4,294 as of June 30, 2007, with cash and cash equivalents of \$3,243. The fiscal court had total debt principal as of June 30, 2007 of \$11,296 with \$1,883 due within the next year.

Deposits:

The fiscal court and component unit's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
MONROE COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	35
NOTES TO FINANCIAL STATEMENTS	37
BUDGETARY COMPARISON SCHEDULES	49
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	52
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	55
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	59
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	63
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



*Simon,
Underwood &
Associates PSC*

Certified Public Accountants and Consultants

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Wilbur Graves, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Monroe County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, which represents 100% and 100%, respectively, of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Monroe County Recreation, Tourist, and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Monroe County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Wilbur Graves, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Government Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2008 on our consideration of Monroe County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Simon, Underwood & Associates PSC

October 28, 2008

MONROE COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Wilbur Graves	County Judge/Executive
Danny Burgess	Magistrate through December 31, 2006
Alonzo Ford	Magistrate beginning January 1, 2007
Roger Turner	Magistrate through December 31, 2006
Terry Ford	Magistrate beginning January 1, 2007
Sam Maxie Harlan	Magistrate
Tommy Page	Magistrate through December 31, 2006
Tim Gordon	Magistrate beginning January 1, 2007
Jeff Profitt	Magistrate

Other Elected Officials:

Wesley Stephens	County Attorney through December 31, 2006
Douglas Carter	County Attorney beginning January 1, 2007
Freddie Kirkpatrick	Jailer through December 31, 2006
Elmer Doyle Fox	Jailer beginning January 1, 2007
Teresa Sheffield	County Clerk
Joyce Emberton	Circuit Court Clerk
Jerry Gee	Sheriff
Louis Carter	Property Valuation Administrator
Jackie Walden	Coroner

Appointed Personnel:

Sheryl Conkin	County Treasurer
Cathy Page	Occupational Tax Collector

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MONROE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

MONROE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	<u>Primary Government</u>			Component Unit - Monroe County Recreation, Tourist, and Convention Commission
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 596,822	\$ 2,206	\$ 599,028	\$ 3,243
Accounts Receivable				1,051
Total Current Assets	<u>596,822</u>	<u>2,206</u>	<u>599,028</u>	<u>4,294</u>
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Land and Land Improvements	39,200		39,200	
Buildings	1,440,614		1,440,614	
Other Equipment	217,424		217,424	
Vehicles and Equipment	198,566	18,585	217,151	
Infrastructure Assets	2,973,706		2,973,706	
Total Noncurrent Assets	<u>4,869,510</u>	<u>18,585</u>	<u>4,888,095</u>	
Total Assets	<u>5,466,332</u>	<u>20,791</u>	<u>5,487,123</u>	<u>4,294</u>
LIABILITIES				
Current Liabilities:				
Financing Obligation Payable	1,883		1,883	
Total Current Liabilities	<u>1,883</u>		<u>1,883</u>	
Noncurrent Liabilities:				
Financing Obligations Payable	9,413		9,413	
Total Noncurrent Liabilities	<u>9,413</u>		<u>9,413</u>	
Total Liabilities	<u>11,296</u>		<u>11,296</u>	
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,858,214	18,585	4,876,799	
Unrestricted	596,822	2,206	599,028	4,294
Total Net Assets	<u>\$ 5,455,036</u>	<u>\$ 20,791</u>	<u>\$ 5,475,827</u>	<u>\$ 4,294</u>

The accompanying notes are an integral part of the financial statements.

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MONROE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

MONROE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,097,906	\$ 22,848	\$ 372,897	\$
Protection to Persons and Property	560,890	69,246	116,072	
General Health and Sanitation	74,384			
Social Services	10,384			69,300
Recreation and Culture	10,524			
Roads	1,050,695		1,717,884	150,000
Airports	3,000			
Interest on Long-term Debt	503			
Capital Projects	145,717			
Total Governmental Activities	<u>2,954,003</u>	<u>92,094</u>	<u>2,206,853</u>	<u>219,300</u>
Business-type Activities:				
Jail Canteen	40,593	36,424		
Total Business-type Activities	<u>40,593</u>	<u>36,424</u>		
Total Primary Government	<u>\$ 2,994,596</u>	<u>\$ 128,518</u>	<u>\$ 2,206,853</u>	<u>\$ 219,300</u>
Component Units:				
Monroe County Recreation, Tourist, and Convention Commission	<u>\$ 8,706</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Component Units	<u>\$ 8,706</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes

Excess Fees

License and Permits

Miscellaneous Revenues

Interest Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit - Monroe County Recreation, Tourist, and Convention Commission
Governmental Activities	Business-Type Activities	Totals	
\$ (702,161)	\$	\$ (702,161)	\$
(375,572)		(375,572)	
(74,384)		(74,384)	
58,916		58,916	
(10,524)		(10,524)	
817,189		817,189	
(3,000)		(3,000)	
(503)		(503)	
(145,717)		(145,717)	
(435,756)		(435,756)	
	(4,169)	(4,169)	
	(4,169)	(4,169)	
(435,756)	(4,169)	(439,925)	
			(8,706)
			(8,706)
207,706		207,706	
24,806		24,806	
53,178		53,178	
686,750		686,750	10,431
10,339		10,339	
151		151	
46,250		46,250	2,075
24,488		24,488	29
1,053,668		1,053,668	12,535
617,912	(4,169)	613,743	3,829
4,837,124	24,960	4,862,084	465
\$ 5,455,036	\$ 20,791	\$ 5,475,827	\$ 4,294

The accompanying notes are an integral part of the financial statements.

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MONROE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

MONROE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 306,070	\$ 232,301	\$ 16,524	\$ 41,927	\$ 596,822
Total Assets	<u>\$ 306,070</u>	<u>\$ 232,301</u>	<u>\$ 16,524</u>	<u>\$ 41,927</u>	<u>\$ 596,822</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 9,823	\$ 53,700	\$ 15,000	\$	\$ 78,523
Unreserved:					
General Fund	296,247				296,247
Special Revenue Funds		178,601	1,524	41,927	222,052
Total Fund Balances	<u>\$ 306,070</u>	<u>\$ 232,301</u>	<u>\$ 16,524</u>	<u>\$ 41,927</u>	<u>\$ 596,822</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 596,822
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	7,366,466
Accumulated Depreciation	(2,496,956)
Debt Not Due and Payable in the Current Period and, Therefore, Is Not	
Reported in the Funds.	
Financing Obligation	<u>(11,296)</u>
Net Assets Of Governmental Activities	<u>\$ 5,455,036</u>

The accompanying notes are an integral part of the financial statements.

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MONROE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

MONROE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road Fund	Jail Fund	Non- Major Funds
REVENUES				
Taxes	\$ 920,503	\$	\$	\$
In Lieu Tax Payments	51,937			
Excess Fees	10,339			
Licenses and Permits	151			
Intergovernmental	386,777	1,867,884	122,278	89,522
Charges for Services	2,625		17,086	
Miscellaneous	8,786	23,783	4,678	41,077
Interest	9,807	12,980	1,123	579
Total Revenues	<u>1,390,925</u>	<u>1,904,647</u>	<u>145,165</u>	<u>131,178</u>
EXPENDITURES				
General Government	600,183			8,100
Protection to Persons and Property	125,356		371,523	46,731
General Health and Sanitation	74,384			
Social Services	3,024			
Recreation and Culture	10,524			
Roads		1,547,926		
Airports	3,000			
Debt Service				8,549
Capital Projects	60,900	145,717		69,300
Administration	371,112	35,840	38,289	
Total Expenditures	<u>1,248,483</u>	<u>1,729,483</u>	<u>409,812</u>	<u>132,680</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>142,442</u>	<u>175,164</u>	<u>(264,647)</u>	<u>(1,502)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	68,558		260,000	10,290
Transfers To Other Funds	(270,290)	(68,558)		
Financing Obligation Proceeds				11,296
Total Other Financing Sources (Uses)	<u>(201,732)</u>	<u>(68,558)</u>	<u>260,000</u>	<u>21,586</u>
Net Change in Fund Balances	(59,290)	106,606	(4,647)	20,084
Fund Balances - Beginning	<u>365,360</u>	<u>125,695</u>	<u>21,171</u>	<u>21,843</u>
Fund Balances - Ending	<u>\$ 306,070</u>	<u>\$ 232,301</u>	<u>\$ 16,524</u>	<u>\$ 41,927</u>

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Total Governmental Funds	
<hr/>	
\$	920,503
	51,937
	10,339
	151
	2,466,461
	19,711
	78,324
	24,489
	<hr/>
	3,571,915
	<hr/>
	608,283
	543,610
	74,384
	3,024
	10,524
	1,547,926
	3,000
	8,549
	275,917
	445,241
	<hr/>
	3,520,458
	<hr/>
	51,457
	<hr/>
	338,848
	(338,848)
	11,296
	<hr/>
	11,296
	<hr/>
	62,753
	534,069
	<hr/>
\$	596,822
	<hr/>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

MONROE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	62,753
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		963,610
Depreciation Expense		(405,201)

The issuance of debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds		(11,296)
Financing Obligations Principal Paid		8,046

Change in Net Assets of Governmental Activities	\$	617,912
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MONROE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

MONROE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

	Business-Type Activities - Enterprise Fund Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 2,206
Total Current Assets	<u>2,206</u>
Noncurrent Assets:	
Capital Assets:	
Equipment	21,367
Less Accumulated Depreciation	<u>(2,782)</u>
Total Noncurrent Assets	<u>18,585</u>
Total Assets	<u>20,791</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	18,585
Unrestricted	<u>2,206</u>
Total Net Assets	<u>\$ 20,791</u>

The accompanying notes are an integral part of the financial statements.

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MONROE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

MONROE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 36,424
Total Operating Revenues	<u>36,424</u>
Operating Expenses	
Costs of Sales	36,406
Educational and Recreational	2,796
Depreciation Expense	1,391
Total Operating Expenses	<u>40,593</u>
Operating Loss	<u>(4,169)</u>
Change In Net Assets	(4,169)
Total Net Assets - Beginning	<u>24,960</u>
Total Net Assets - Ending	<u><u>\$ 20,791</u></u>

The accompanying notes are an integral part of the financial statements.

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MONROE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

MONROE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 36,424
Costs of Sales	(36,406)
Educational and Recreational	(2,796)
Net Cash Used By Operating Activities	(2,778)
Net Decrease in Cash and Cash Equivalents	(2,778)
Cash and Cash Equivalents - July 1, 2006	4,984
Cash and Cash Equivalents - June 30, 2007	\$ 2,206

**Reconciliation of Operating Income to
Net Cash Provided (Used) by Operating Activities**

Operating Loss	\$ (4,169)
Plus: Depreciation Expense	1,391
Net Cash Used By Operating Activities	\$ (2,778)

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	37
NOTE 2.	DEPOSITS	43
NOTE 3.	CAPITAL ASSETS	44
NOTE 4.	LONG-TERM DEBT	45
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM.....	46
NOTE 6.	INSURANCE.....	46
NOTE 7.	PRIOR PERIOD ADJUSTMENT	46

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Monroe County include the funds, agencies, boards, and entities for which the fiscal court (primary government) is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit

Monroe County Fire and Rescue Squad

On March 22, 1995, the Monroe County Fiscal Court (Fiscal Court) created the Monroe County Fire and Rescue Squad, Inc. (Fire and Rescue Squad) to respond to emergency situations. The Fire and Rescue Squad is run by four officers (chief, assistant chief, and two captains) who are elected every two years by members of the Fire and Rescue Squad. However, the four officers have to answer to Fiscal Court. The Fire and Rescue Squad bills and collects a fee for its fire runs. However, this money is turned directly over to the Fiscal Court. The Fiscal Court reimburses the monthly expenses of the Fire and Rescue Squad. In fiscal year 2007, the Fire and Rescue Squad received \$10,290 from Fiscal Court. The Fire and Rescue Squad is fiscally dependent upon the Fiscal Court and the Fiscal Court can impose its will on the entity. Financial information for the Fire and Rescue Squad is blended with Monroe County's financial statements.

Discretely Presented Component Unit

The component unit's column in the government-wide financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

Monroe County Recreation, Tourist, and Convention Commission

On January 16, 2002, Monroe County Fiscal Court (Fiscal Court) established the Monroe County Recreation, Tourist, and Convention Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Monroe County. The Commission is composed of seven members appointed by the Monroe County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. On January 16, 2002, the Fiscal Court enacted an ordinance imposing a transient room tax. The Fiscal Court currently collects "3% of the gross rent for every occupancy of a suite, room or rooms charged and collected." The Fiscal Court is to issue monthly checks to the Commission. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court. Financial information for the Commission is discretely presented in the accompanying financial statements.

Audited financial statements for the Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, may be requested by contacting the Monroe County Recreation, Tourist, and Convention Commission, 202 North Magnolia Street, Tompkinsville, KY 42167.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Monroe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Monroe County, Kentucky.

Additional Monroe County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Grants Fund, and Monroe County Fire and Rescue Squad Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Grants Fund, and Monroe County Fire and Rescue Squad Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

F. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

I. Related Organization

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Monroe County Fiscal Court: Monroe County Water District, Fountain Run Water District, and Monroe County Ambulance Taxing District. The fiscal court's accountability for these organizations, however, does not extend beyond making the appointments.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 39,200	\$	\$	\$ 39,200
Total Capital Assets Not Being Depreciated	39,200			39,200
Capital Assets, Being Depreciated:				
Buildings	2,492,186	130,200		2,622,386
Other Equipment	658,700	15,250		673,950
Vehicles and Equipment	408,015	3,500		411,515
Infrastructure	2,804,755	814,660		3,619,415
Total Capital Assets Being Depreciated	6,363,656	963,610		7,327,266
Less Accumulated Depreciation For:				
Buildings	(1,132,010)	(49,762)		(1,181,772)
Other Equipment	(408,098)	(48,428)		(456,526)
Vehicles and Equipment	(190,946)	(22,003)		(212,949)
Infrastructure	(360,701)	(285,008)		(645,709)
Total Accumulated Depreciation	(2,091,755)	(405,201)		(2,496,956)
Total Capital Assets, Being Depreciated, Net	4,271,901	558,409		4,830,310
Government Activities Capital Assets, Net	\$ 4,311,101	\$ 558,409	\$ 0	\$ 4,869,510
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 21,367	\$		\$ 21,367
Total Capital Assets Being Depreciated	21,367			21,367
Less Accumulated Depreciation For:				
Vehicles and Equipment	(1,391)	(1,391)		(2,782)
Total Accumulated Depreciation	(1,391)	(1,391)		(2,782)
Total Capital Assets, Being Depreciated, Net	19,976	(1,391)		18,585
Business-Type Activities Capital Assets, Net	\$ 19,976	\$ (1,391)	\$ 0	\$ 18,585

Note 3. Capital Assets (Continued)

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 47,882
Protection to Persons and Property	32,530
Social Services	7,360
Roads, Including Depreciation of General Infrastructure Assets	<u>317,429</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 405,201</u>

Business-Type Activities

Jail Canteen	<u>\$ 1,391</u>
Total Depreciation Expense - Business Activities	<u>\$ 1,391</u>

Note 4. Long-term Debt

A. Monroe County Fire and Rescue Squad, Inc.

On December 23, 2005, the Monroe County Fire and Rescue Squad, Inc. entered into a short-term promissory note with Edmonton State Bank. The note was for the purchase of a 1999 Chevrolet truck. On September 27, 2006 the note was refinanced into a long-term promissory note for \$11,296 with an initial interest rate of 7.25%. Principal outstanding as of June 30, 2007 was \$11,296. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 1,883	\$ 819
2009	1,883	682
2010	1,883	546
2011	1,883	410
2012	1,882	273
2013	<u>1,882</u>	<u>137</u>
Totals	<u>\$ 11,296</u>	<u>\$ 2,867</u>

Note 4. Long-term Debt (Continued)

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

B. Changes In Long-term Liabilities

Debt activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 8,046	11,296	\$ 8,046	\$ 11,296	\$ 1,883
Governmental Activities Long-term Liabilities	\$ 8,046	\$ 11,296	\$ 8,046	\$ 11,296	\$ 1,883

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefit to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Insurance

For the fiscal year ended June 30, 2007, Monroe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Prior Period Adjustment

Beginning net assets of the governmental activities has been restated by \$6,716 from \$4,830,408 to \$4,837,124 for an adjustment to increase accumulated depreciation for depreciation not taken in prior year due to omitted capital assets.

MONROE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

MONROE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 852,600	\$ 852,600	\$ 920,503	\$ 67,903
In Lieu Tax Payments	43,000	43,000	51,937	8,937
Excess Fees	24,000	24,000	10,339	(13,661)
Licenses and Permits	13,150	13,150	151	(12,999)
Intergovernmental	227,498	563,801	386,777	(177,024)
Charges for Services	2,000	2,000	2,625	625
Miscellaneous	15,000	15,000	8,786	(6,214)
Interest	8,000	8,000	9,807	1,807
Total Revenues	<u>1,185,248</u>	<u>1,521,551</u>	<u>1,390,925</u>	<u>(130,626)</u>
EXPENDITURES				
General Government	616,295	720,481	600,183	120,298
Protection to Persons and Property	132,270	142,954	125,356	17,598
General Health and Sanitation	61,687	220,306	74,384	145,922
Social Services	5,500	10,027	3,024	7,003
Recreation and Culture	12,000	12,000	10,524	1,476
Airports	3,000	3,000	3,000	
Capital Projects		60,900	60,900	
Administration	410,113	407,500	371,112	36,388
Total Expenditures	<u>1,240,865</u>	<u>1,577,168</u>	<u>1,248,483</u>	<u>328,685</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(55,617)</u>	<u>(55,617)</u>	<u>142,442</u>	<u>198,059</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	68,558	68,558	68,558	
Transfers To Other Funds	<u>(412,941)</u>	<u>(412,941)</u>	<u>(270,290)</u>	<u>142,651</u>
Total Other Financing Sources (Uses)	<u>(344,383)</u>	<u>(344,383)</u>	<u>(201,732)</u>	<u>142,651</u>
Net Changes in Fund Balance	(400,000)	(400,000)	(59,290)	340,710
Fund Balance - Beginning	<u>400,000</u>	<u>400,000</u>	<u>365,360</u>	<u>(34,640)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 306,070</u>	<u>\$ 306,070</u>

MONROE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 965,167	\$ 1,855,384	\$ 1,867,884	\$ 12,500
Miscellaneous	23,892	23,892	23,783	(109)
Interest	5,000	5,000	12,980	7,980
Total Revenues	994,059	1,884,276	1,904,647	20,371
EXPENDITURES				
Roads	863,401	1,612,701	1,547,926	64,775
Capital Projects		145,717	145,717	
Administration	62,100	57,300	35,840	21,460
Total Expenditures	925,501	1,815,718	1,729,483	86,235
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	68,558	68,558	175,164	106,606
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(68,558)	(68,558)	(68,558)	
Total Other Financing Sources (Uses)	(68,558)	(68,558)	(68,558)	
Net Changes in Fund Balance			106,606	106,606
Fund Balance - Beginning			125,695	125,695
Fund Balance - Ending	\$ 0	\$ 0	\$ 232,301	\$ 232,301

MONROE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 86,000	\$ 86,000	\$ 122,278	\$ 36,278
Charges for Services	10,500	10,500	17,086	6,586
Miscellaneous	2,200	2,200	4,678	2,478
Interest	500	500	1,123	623
Total Revenues	99,200	99,200	145,165	45,965
EXPENDITURES				
Protection to Persons and Property	456,591	456,589	371,523	85,066
Administration	56,050	56,052	38,289	17,763
Total Expenditures	512,641	512,641	409,812	102,829
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(413,441)	(413,441)	(264,647)	148,794
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	412,941	412,941	260,000	(152,941)
Total Other Financing Sources (Uses)	412,941	412,941	260,000	(152,941)
Net Changes in Fund Balance	(500)	(500)	(4,647)	(4,147)
Fund Balance - Beginning			21,171	21,171
Fund Balance - Ending	\$ (500)	\$ (500)	\$ 16,524	\$ 17,024

MONROE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**MONROE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

MONROE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

	Local Government Economic Assistance Fund	Monroe County Fire And Rescue Squad Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 20,539	\$ 21,388	\$ 41,927
Total Assets	<u>\$ 20,539</u>	<u>\$ 21,388</u>	<u>\$ 41,927</u>
FUND BALANCES			
Unreserved:			
Special Revenue Funds	\$ 20,539	\$ 21,388	\$ 41,927
Total Fund Balances	<u>\$ 20,539</u>	<u>\$ 21,388</u>	<u>\$ 41,927</u>

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MONROE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2007

MONROE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

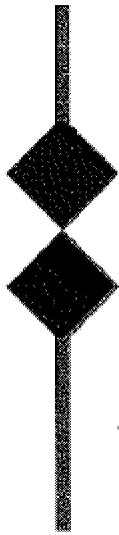
For The Year Ended June 30, 2007

	Local Government Economic Assistance Fund	Grants Fund	Monroe County Fire And Rescue Squad Fund	Total Non-Major Governmental Funds
REVENUES				
Intergovernmental	\$ 20,222	\$ 69,300	\$	\$ 89,522
Miscellaneous			41,077	41,077
Interest	579			579
Total Revenues	<u>20,801</u>	<u>69,300</u>	<u>41,077</u>	<u>131,178</u>
EXPENDITURES				
General Government	8,100			8,100
Protection to Persons and Property			46,731	46,731
Debt Service			8,549	8,549
Capital Projects		69,300		69,300
Total Expenditures	<u>8,100</u>	<u>69,300</u>	<u>55,280</u>	<u>132,680</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>12,701</u>		<u>(14,203)</u>	<u>(1,502)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			10,290	10,290
Financing Obligation Proceeds			11,296	11,296
Total Other Financing Sources			<u>21,586</u>	<u>21,586</u>
Net Change in Fund Balances	12,701		7,383	20,084
Fund Balances - Beginning	<u>7,838</u>		<u>14,005</u>	<u>21,843</u>
Fund Balances - Ending	<u><u>\$ 20,539</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 21,388</u></u>	<u><u>\$ 41,927</u></u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

The Honorable Wilbur Graves, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 28, 2008. We did not audit the financial statements of the Monroe County Recreation, Tourist, and Convention Commission. Other auditors whose report has been furnished to us audited those financial statements. Monroe County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monroe County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monroe County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Monroe County's financial statements for the year ended June 30, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Monroe County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Simon, Underwood & Associates PSC

October 28, 2008

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

MONROE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
MONROE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Monroe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Wilbur Graves
County Judge/Executive



Sheryl Coggins
County Treasurer

